

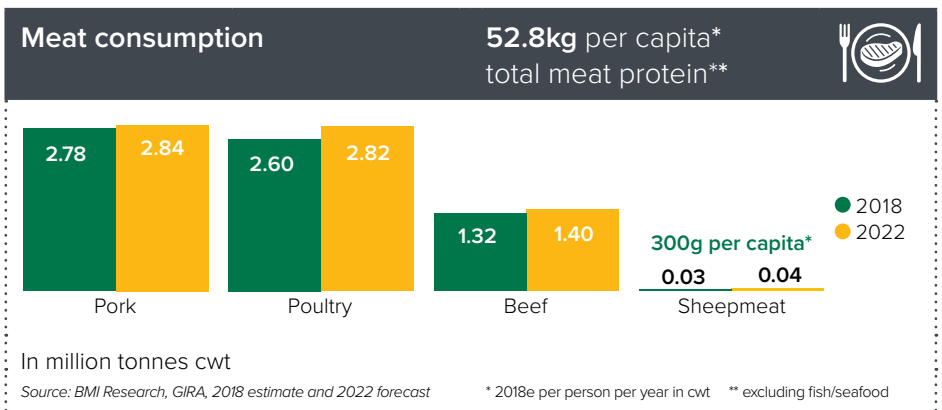
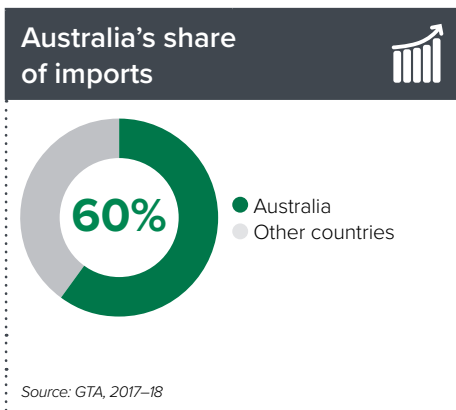
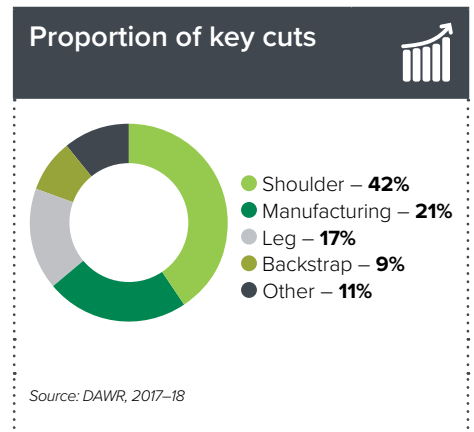
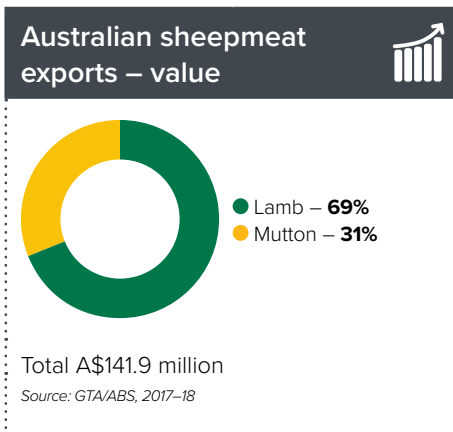
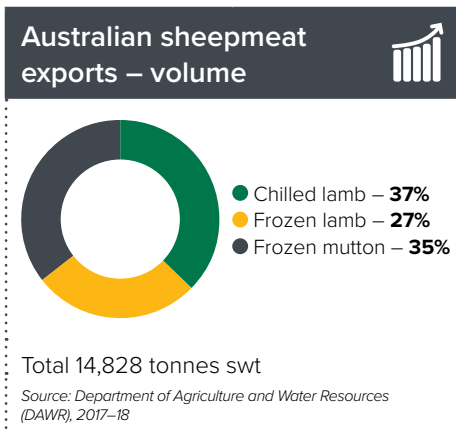
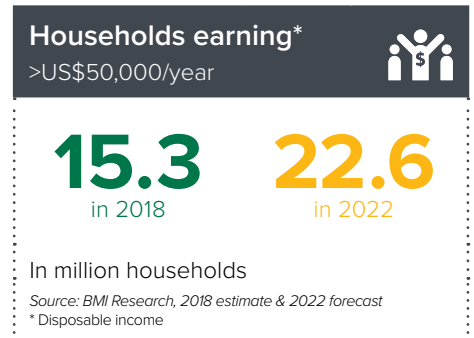
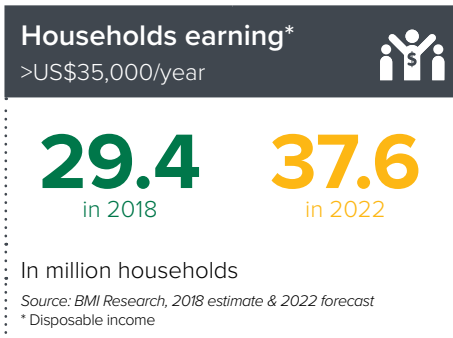
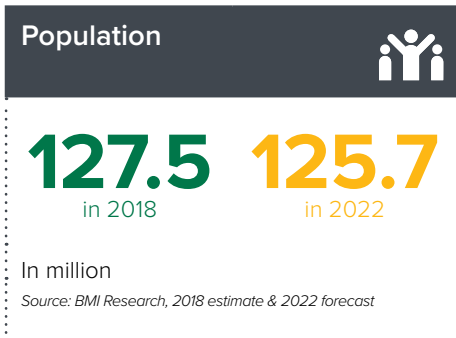
MARKET SNAPSHOT | SHEEPMEAT

Japan

Japan has been a stable and consistent buyer of Australian sheepmeat and is our largest chilled lamb customer within Asia. Its affluent and highly urbanised population is expected to continue demanding imports of high quality proteins, and Australian sheepmeat has opportunities to further expand its presence beyond Genghis Khan (sliced lamb shoulder cooked on a table-top grill).

Challenges and opportunities in Japan for Australian sheepmeat include:

- Ongoing akami-niku (leaner meat) trend and growing interest in global cuisine supported growth in lamb demand, with Australian exports to the market showing the highest volume on record since 2008-09.
- Japanese consumers generally have positive perceptions towards lamb, despite its minor presence and perceived lack of versatility as a protein. Increasing awareness and familiarity for lamb among consumers remains crucial to unlocking future growth.
- In the foodservice sector, there is a growing number of urban restaurants incorporating Australian lamb on their menu. They offer a key opportunity for Japanese consumers to become more familiar with, and consider purchasing, Australian lamb in the retail environment.
- Japan imports the majority of its sheepmeat requirements, and as the largest supplier, Australia is well placed to capture any growth in the sheepmeat market. That said, competition from New Zealand (NZ) remains strong, particularly in the retail channel.
- There are currently no sheepmeat import tariffs or volume/technical access issues into Japan.



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Consumers



- Japanese consumers appreciate lamb's eating quality, which resonates with the market's tradition of seeking a variety of foods that deliver enjoyment, but also nutritional balance in the diet.
- However, consumers also think lamb is hard to buy and not as versatile as other proteins (Source: MLA Global Consumer Tracker Japan, 2018). Making lamb more accessible in an everyday environment remains a priority in a market where people place great emphasis on convenience, underpinned by the country's ageing population and increasing number of single/two person households.

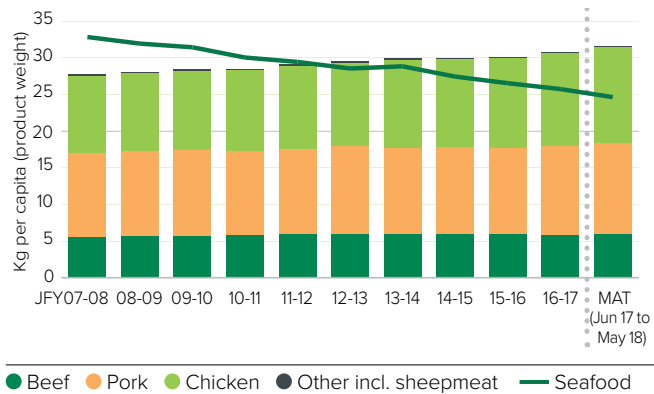
Attributes important for all proteins and lamb associations

What attributes are important for Japanese consumers (all proteins)?	What associations do consumers have to lamb?
My/my family's favourite	Tastes delicious
Easy to prepare	Low in fat
Consistent quality standards	High nutritional value
Easy to purchase	Meat is tender
Meat is tender	My/my family's favourite

Source: MLA Global Consumer Tracker Japan, 2018

- Japanese protein consumption is diverse, but per capita sheepmeat consumption is extremely low, indicating scope for future growth. There has been an ongoing shift from seafood to meat proteins, however the growth so far has been captured by chicken and pork.

Protein consumption per capita



Source: Ministry of Agriculture, Forestry and Fisheries of Japan (MAFF). JFY = Japan Fiscal Year (April-March)

- Japan's population and economic growth prospects are subdued in comparison to many neighbouring markets in Asia. That said, a high number of wealthy households concentrated in major cities, coupled with sophisticated supply chain infrastructure, provides businesses with easy access to large groups of potential customers.



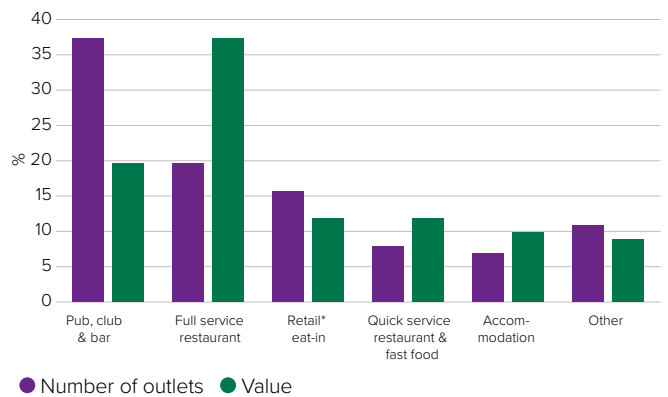
Australian chilled mutton is served and appreciated as a delicacy in sheepmeat specialised restaurants in Japan

Foodservice



- Australian lamb consumption to date has been largely led by Genghis Khan outlets. Coincidentally, the Tokyo metropolitan area is seeing an increasing number of non-Genghis Khan, mid to high-end restaurants serving lamb as a point of difference. Grilled meat and global flavours are becoming increasingly popular among Japan's sophisticated urban professionals, fuelling the emergence of these restaurants. Concurrently, Japanese chefs who have developed an appreciation for Australian sheepmeat – including a group of 'Lambassadors' under the MLA marketing initiative – are also underpinning the diversification of sheepmeat in the dining scene.
- Genghis Khan restaurants are particularly popular in Hokkaido (the north island of Japan) among locals and visiting tourists. New Genghis Khan venues have opened in major cities as well, largely focused on young consumers. Lamb is regarded as healthy and topical among young social media followers, with some restaurants offering both Genghis Khan and shabu shabu hot-pot style, or/and serving chilled lamb only to promote its high quality.
- The Japanese foodservice sector is estimated to be worth over US\$289 billion, including cooked food sales by retail outlets*¹ (Source: Japan Foodservice Association, 2016 data). Full service restaurants are a clear leader in value, and the majority of Australian lamb is consumed in this channel. Lamb uptake by the retail and quick service/fast food categories has been limited to date, largely due to its higher cost compared to other proteins.

Number of outlets and value by key foodservice channel (% of total) – 2018



● Number of outlets ● Value

Source: GlobalData

* Retail includes cooked food sold by supermarket, convenience stores and take out specialists.



¹This category is called *nakashoku* and consists of delicatessen and take away food sold at supermarkets and convenience stores).

Retail



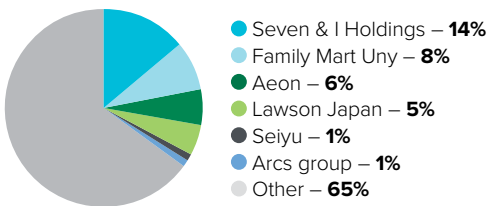
- Lack of familiarity, availability and knowledge of how to cook lamb are major reasons for Japanese shoppers not purchasing lamb in the retail channel (Source: MLA Global Consumer Tracker Japan, 2018). Subsequently, Japanese-style lamb recipes and marinated products using Japanese flavours are perceived as more 'accessible' than western-style dishes and are more popular among shoppers. When at the shelf, consumers look for markers of guaranteed safety, freshness, and value (Source: MLA Global Consumer Tracker Japan, 2017).



Introducing Australian lamb with Japanese flavours – Spicy lamb soba noodle.

- Lamb's retail presence is small compared to other proteins, particularly in the very competitive and fragmented Japanese retail environment. Major retailers in Tokyo are gradually increasing their shelf space for lamb, but NZ has a competitive presence in the sector with its smaller-sized bone-in (lamb cutlet) products. Country of origin labelling is mandatory at Japanese retail level, and provides opportunities to promote Australia as a safe, trusted and quality supplier of sheepmeat.

Grocery retail market shares – 2018



Source: IGD, as of July 2018



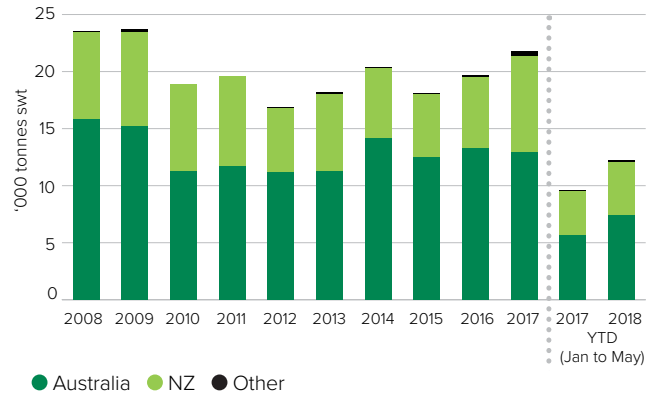
Small but creative butchers are offering a range of products.

Other suppliers



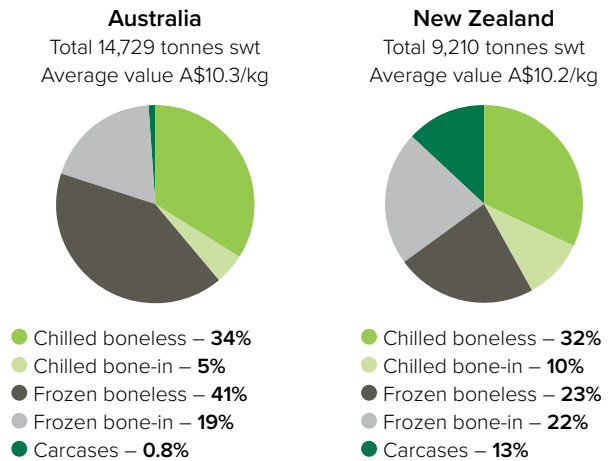
- The Japanese sheepmeat industry remains very small*² and hence sheepmeat demand in Japan has been, and will continue to be, filled by imports.
- Australia is the dominant imported sheepmeat supplier to Japan with a 60% share of imports, but is facing strong competition from NZ which has the same access conditions.

Sheepmeat imports by supplier



Source: GTA

Sheepmeat imports into Japan by category

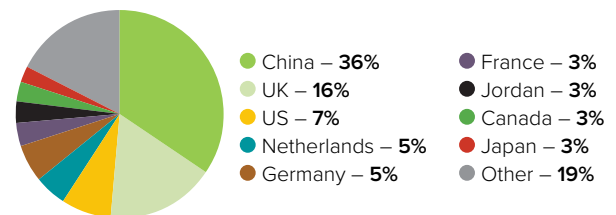


Source: GTA, MAT June 2017 to May 2018

In focus – New Zealand

NZ and Australia are two major exporters of sheepmeat in the global market. NZ exports about 300,000 tonnes swt of lamb every year, and is heavily focused on EU and China markets where the supplier has advantageous access conditions over Australia.

NZ lamb exports



Source: GTA, MAT June 2017 to May 2018

*² Last production data recorded in Japan was 2009, at 184 tonnes cwt.





Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Japan-Australia Economic Partnership agreement (JAEPA)	NIL (for all countries)	NZ (same access conditions as Australia)	Zero	No major hurdles

Best access Major challenges

Source: Trade agreements, DFAT, MLA



Australian sheepmeat exports to Japan – summary table

Volume – in tonnes swt		2017–18	% out of total	2016–17	% out of total	5-year average (2012–13 to 2016–17)	% out of total	change 2017–18 vs 5-year average	
								%	in tonnes swt
Total		14,828	100	12,793	100	12,811	100	16	2,017
Storage	Chilled	5,564	38	5,919	46	5,460	43	2	104
	Frozen	9,265	62	6,875	54	7,351	57	26	1,914
Meat type	Lamb	9,550	64	8,742	68	8,594	67	11	957
	Mutton	5,278	36	4,051	32	4,217	33	25	1,061
Storage/meat type	Chilled lamb	5,512	37	5,865	46	5,389	42	2	123
	Chilled mutton	52	0	53	0	71	1	-27	-19
	Frozen lamb	4,039	27	2,877	22	3,205	25	26	834
	Frozen mutton	5,226	35	3,997	31	4,146	32	26	1,080

Source: DAWR

Value – in A\$ 000

Value – in A\$ 000								%	in A\$ 000
Total		141,884	100	115,308	100	102,659	100	38	39,225
Meat type	Lamb	97,979	69	83,124	72	74,583	73	31	23,395
	Mutton	43,905	31	32,184	28	28,076	27	56	15,829

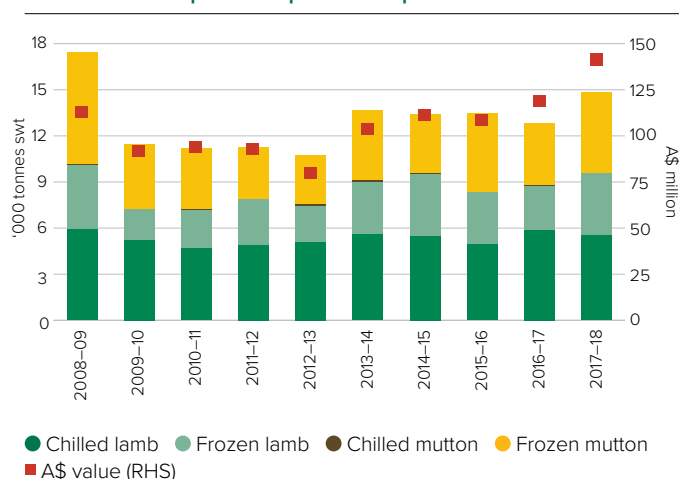
Source: ABS/GTA

Australian lamb exports to Japan – by major cut (in tonnes swt)

Australian lamb exports to Japan – by major cut (in tonnes swt)								%	in tonnes swt
Shoulder		6,168	65	4,654	53	4,676	54	32	1,492
Manufacturing		1,599	17	1,908	22	2,163	25	-26	-564
Rack		610	6	730	8	686	8	-11	-75
Leg		554	6	887	10	605	7	-9	-52
Carcase		249	3	194	2	176	2	42	73
Other		371	4	370	4	288	3	29	83
Total		9,550	100	8,742	100	8,594	100	11	957

Source: DAWR

Australian sheepmeat exports to Japan



Source: DAWR, ABS



Genghis Khan sheepmeat barbecue.